

Year End Report Frequently Asked Questions June 2005

The person completing the Year End Report should consult with their business manager and/or audit firm. In addition, the source and specific types of income and/or expense reported for each line item of the report should be documented for future reference.

Q 1 – Why is the Year End Report due in July when the school district audit may not be completed until several weeks later?

A 1 – The data is needed to establish payables for 31(d) state aid and state school breakfast payments as part of the state's year-end closing procedure.

Therefore, food service directors, business managers and auditors are encouraged to work together when submitting the Year End Report so that the most accurate information is being used to determine supplemental state funding.

Q 2 - If our district's audit is completed after the report has been submitted by July 31st deadline, do I need to amend the Year End Report?

A 2 – Yes, **if** the audit results indicate a change in the cost per meal for breakfast and/or lunch.

Q 3 - Where does the **Beginning Balance** come from?

A 3 - The Beginning Balance comes from the auditor's report from the prior school year. Check with your business or superintendent's office for the audit report.

Q 4 - The last two 31d payments for School Year 2005 will not be paid until July and August. Since the Year End Report is for the period of July 1, 2004 through June 30, 2005, what dollar amount do I report?

A 4 - Since accrual accounting must be used, a district must report the **total amount** of the 31d payment due for the school year on Line 6, State Revenue, 31d 2005 Total Revenue. This total amount will be found on the State Aid Financial Status Report under Current Year Allowances – Amount as 31d School Lunch.

The prior year adjustment can be found on the second page of the State Aid Financial Status Report under Prior Year Adjustments – Amount as 31d 2004 School Lunch. The report can be accessed as follows:

Go to the MDE website: <http://www.michigan.gov/mde>
Click on "Programs and Offices"
Click on "State Aid and School Finance"
Go to "What's New"
Click on "Current Monthly State Aid Financial Status Reports"
Click on your ISD Code and scroll to your school district

Q 5 - Where is **sales tax** reported?

A 5 - There are two different ways to report sales tax.

a. Sales tax may be deducted from the Revenue source that generated the tax.

Example: The revenue from teachers' meals is reported as an a la carte sale. Therefore, the sales tax paid on those meals could be deducted from the a la carte revenue.

Example: The revenue from special events' meals is reported as a catered meal sale. Therefore, the sales tax paid on those meals could be deducted from the catering revenue.

or

b. Sales tax can be reported as a negative on Line 8, Miscellaneous.

Note: The person completing the Year End Report should document how this was handled for future reference.

Q 6 - Other than transfers or advances from the General Fund, are there any other revenue transactions that would be reported on Line 7, **Fund Modifications**?

A 6 - **No.** On Line 7, Fund Modifications, record the balance or the amount of net change for the year of transactions between the food service account and the general fund. The fund modification line **is not to be used** to report indirect costs charged to the school food service fund. If your school food service fund is being charged for indirect cost, this amount must be reported in Column A, line 7 of the Cost Allocation Sheet for the Year End Report. The sole purpose of the fund modification line is to report the amount of net change that has occurred to the food service fund in regards to advances and loans from the general fund.

Q 7 - Where is revenue from a **beverage consortium** contract reported?

A 7 - This revenue could be included on Line 8, Miscellaneous.

Q 8 - Where do I report **commissions** from vending sales?

A 8 - Report commissions on Line 8, **Miscellaneous**.

Q 9 - Where do I report **memorials** and other **donations** to the food service program?

A 9 - Report memorials and other donations on Line 8, **Miscellaneous**

Q 10 - Where do I report **interest** earned on a loan?

A 10 - Report earned interest on Line 8, **Miscellaneous**.

Q 11 - Where do I report revenue from **equipment sales**?

A 11 - Report revenue from equipment sales on Line 8, **Miscellaneous**. Make sure equipment is deleted from your Depreciation Schedule. Consult with the school business office and/or auditor for further clarification.

Q 12 - How do I report the **purchase of tables**? Are they depreciated?

A 12 - If a district buys 10 tables at \$1,000 each, this purchase is considered a "buy of like items" and the district reports this \$10,000 purchase as a Capital Outlay. The \$10,000

table purchase is also added to the Depreciation Schedule and is then depreciated over 12 years. (Depreciation is reported on the back of the Year End Report, Line 8.)

Q 13 - Can a **group purchase of equipment** be reported under Capital Outlay?

Q 13 - It depends on the group purchase, if **each item** in that group purchase exceeded \$5,000, then the purchase would be recorded as capital outlay on the report. If any item in the group purchase were under \$5,000, then the cost would be reported as an expense on Line 5, Supplies and Other Materials. Note: Each item over \$5,000 would be added to the Depreciation Schedule and depreciated accordingly. (Depreciation is reported on the back of the Year End Report, Line 8.)

Q 14 - Where do I report **software purchases**?

A 14 - If the purchase is under \$5,000, include as an expense in Supplies and Other Materials. If the purchase is over \$5,000, report the purchase as a Capital Outlay. The \$5,000 purchase is also added to the Depreciation Schedule and is depreciated over 5 years. (Depreciation is reported on the back of the Year End Report, Line 8.)

Q 15 - Is equipment purchased with **bond or millage dollars** reported as a Capital Outlay?

A 15 - No. Equipment purchased with bond or millage dollars should not be included on the Year End Report. It is considered a non-allowable cost. Consult with the school business office and/or auditor for further clarification.

Q 16 - Is equipment purchased with **bond or millage dollars** depreciated?

A 16 - No. Equipment purchased with millage or bond dollars is not eligible for depreciation.

Q 17 - What if I don't know when equipment was purchased and/or if it has been depreciated?

A 17 - Work with the business office and other school personnel to put together as accurate picture as possible of when equipment was acquired. Seek out previous Year End Reports for depreciation documentation.

Q 18 - Where do I find the **unrestricted indirect cost rate** for my district?

A 18 - The school business manager and/or superintendent will have the indirect cost rate assigned by MDE. The Year End Report uses the unrestricted rate. The maximum rate for public schools is 15% and a non-public school is 12%.

Note: If your approved unrestricted indirect cost rate is lower than the maximum, you must use your approved rate.

The MDE Indirect Cost Rate Summary Report – R0418 can be accessed as follows:

Go to www.michigan.gov/mde

Click on “Programs and Offices”

Click on “Grants Coordination and School Support”

Click on “Fiscal Reporting” under Office Units and Services

Click on “MDE Indirect Cost Rate Summary Report-R0418”. Use the information in the far right column entitled, “Unrestricted Indirect Cost Rate”.

Q 19 - Where are **rebate checks** from food manufacturers or vendors reported?

A 19 - The total amount of rebates should be subtracted from the total amount of food costs.

Q 20 - Do we have a state average for labor hourly rates?

A 20- No. Districts are encouraged to use the information provided in the *Food Service Year End Report Compilation* to compare their program costs with similar programs.

Q 21 - Where are **bank charges** for bad checks reported on the Year End Report when you cannot collect the bank charge from the student/parent?

A 21 - Report as a negative on Line 8, Miscellaneous.

Q 22 – Where are **utilities** to be reported if the cost is not part of the **Unrestricted Indirect Cost Rate**?

A 22 - When looking at the Year End Report, the contract services line (Line 3 under Cost Allocation) indicates that utilities should not be part of this cost category. **However, utility cost can be recorded under contract services as long as this cost is not included in the Unrestricted Indirect Cost Rate. If utility cost is included in the Unrestricted Indirect Cost Rate, then utility cost cannot be recorded under contract services.** School Food Service Programs who are being charged directly for their utility cost must have documentation available to show how the school is determining this cost for their program. This documentation could include an actual meter reading or a utility usage study.

Q 23 - Where is revenue reported for **pre-paid meals**?

A 23 - If the funds in these pre-paid accounts have not been used yet to purchase meals, snacks or special milk, this revenue cannot be reported on the Year End Report under School Meals Program Revenue and should be carried over to the next school year. Fees received for meals, snacks or special milk not yet served would be considered deferred revenue. It will become revenue when the student is served the meal, snack or special milk.

Q 24 - If you are “renting to buy” a piece of food service equipment, can this rent be reported as **capital outlay**? Can depreciation be reported?

A 24 - No. The rental fee cannot be reported as capital outlay nor can the piece of equipment be depreciated. If the total rental fee for the school year is under \$5,000, this cost can be reported as an expense on Line 5, Supplies and Other Materials.

Q 25 - A delivery van costing \$25,000 was purchased with **general funds** and is being used 75% of the time by the food service program. Can **capital outlay and depreciation** be reported on the Year End Report for this equipment or is transportation cost the only expense that can be reported by the food service program.

A 25 - If the general fund had transferred \$25,000 into the School Food Service fund to purchase the van, then capital outlay and depreciation could be reported on the Year End Report. In this case, the van was purchased directly with general funds. Therefore, the Food Service Program can report 75% of the transportation cost associated with the upkeep of the van on line 4, Transportation Supplies.

Q 26 - Where is at-risk money for breakfast reported on the year end report?

A 26 - This revenue should be reported on Line 8, **Miscellaneous**.

Q 27 - Can food service be charged costs for playground supervision done by lunch/teacher aides?

A 27 - No. Food service may only be charged for supervision while children are being served and consuming meals in the lunchroom or cafeteria. Playground supervision is not an allowable food service cost.

Q 28 - Are membership fees/dues to organizations that use a part of their fees/dues for lobbying activities allowable costs to food service?

A 28 - No. Costs of memberships in organizations substantially engaged in lobbying are an unallowable cost to the food service program whether directly or indirectly billed to the food service account. Refer to OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments. Consult with the school business office and/or auditor for further clarification.

Q 29 - We have a fund balance in our food service account, the business manager and the Board of Education want to “zero out” this fund balance at the end of each year, can this be done?

A 29 - No. Federal regulations prohibit the transfer of food service funds to other funds unless there are costs that have been incurred in these other funds that have not been charged to the food service fund. These charges must clearly be documented because revenues received by the nonprofit school food service are to be used only for the operation or improvement of food service.

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